



*Sel* **Admiral  
international  
enterprises**

CORPORATION

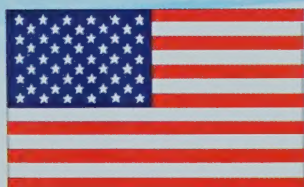
*annual report 1969*



# Financial highlights

	1969	1968*
Sales.....	\$104,355,465	\$81,252,809 ✓
Earnings before Taxes and Minority Interest . . .	8,598,349	6,554,341 ✓
Earnings after Taxes and Minority Interest . . .	4,887,900 ✓	3,564,417 ✓
Earnings per Share.....	1.69 ✓	1.27 ✓
Average Number of Shares Outstanding.....	2,894,615	2,800,000
Earnings per Share Based on 3,210,000 Shares Outstanding at Year-End.....	1.52	1.11
Shareowners' Equity.....	32,721,971	24,656,023
Book Value per Share.....	10.19	8.81
Current Assets.....	42,527,008	32,128,440
Current Liabilities.....	13,310,463	9,242,053
Working Capital.....	29,216,545	22,886,387

\*Combined historical results of the operations of the companies acquired on May 22, 1969.



## about the cover

The colorful flags on the cover represent the country in which Admiral International Enterprises Corporation is headquartered, the countries in which AIE has manufacturing subsidiaries, and the countries in which licensees are located. **Top row:** United States, Canada, Mexico and Republic of China. **Second row, alphabetically from left to right:** Argentina, Australia, Brazil, Colombia, Costa Rica, El Salvador, Greece, Iran, Italy, Lebanon, New Zealand, Peru, Philippines, South Africa, Sudan, Trinidad, Uruguay, Venezuela and West Germany.



## letter to shareowners



We are pleased to present the first annual report of Admiral International Enterprises Corporation.

AIE is a holding company which acquired the stock of all the foreign subsidiaries of Admiral Corporation and the domestic subsidiaries of Admiral which are engaged in international trade and licensing activities. Admiral Corporation holds 87.2 per cent of the 3,210,000 shares of AIE which are outstanding.

The three major subsidiaries of Admiral International Enterprises are: Canadian Admiral Corporation, Ltd., Port Credit, Ontario; Admiral Overseas Corporation, Taipei, Taiwan, Republic of China; and Admiral de Mexico, S.A. de C.V., Mexico City. Canadian Admiral Corporation is the largest manufacturing subsidiary, and a major section of this report is devoted to it. We hope you will find it informative.

On September 24, 1969, 410,000 newly issued shares of AIE were offered to the public and traded over the counter from that date until January 27, 1970 when all of the shares were listed on the American Stock Exchange.

We are gratified to report that consolidated sales in 1969 were \$104,355,465, a 28 per cent increase over the previous year (on a pooling of interests basis).

Profits after taxes and minority interest were \$4,887,900, or \$1.69 per share on the average number of shares outstanding (2,894,615), 37 per cent higher than the 1968 earnings of \$3,564,417, or \$1.27 per share (on a pooling of interests basis).

Based upon the current number of shares outstanding (3,210,000), earnings were \$1.52 per share in 1969 and \$1.11 per share in 1968.

We view 1970 with confidence. However, because of the influence of the United States economy on the rest of the world, some uncertainty exists at this time.

With the growing importance of Japan as a source of supply for the electronic home entertainment industry, AIE, in January, 1970, opened an office in Tokyo to procure components for products made by the AIE companies, its licensees and Admiral Corporation.

The board of directors extends its sincere appreciation to all personnel, suppliers and customers for their cooperation.

FOR THE BOARD OF DIRECTORS

A handwritten signature in dark ink, appearing to read 'Vincent Barreca', written in a cursive style.

*Vincent Barreca, Chairman and President  
March 20, 1970*



# Report on operations

## CANADA

Canadian Admiral established new records in 1969 with sales and profits increasing more than 20 per cent over the former record year of 1968.

Sales have more than doubled during the past four years, with all major product lines participating in the growth at rates higher than the industry averages. Color television was particularly strong with 1969 volume more than twice that of the previous year.

Industry color set sales were estimated at 325,000 in 1969 and the Electronic Industries Association

of Canada forecasts an increase to 375,000 units in 1970.

Although industry black and white television volume decreased 6 per cent during the year, Canadian Admiral sales increased 3.5 per cent. The industry outlook for 1970 is for slightly lower sales.

Canadian Admiral produces more refrigerators and television receivers than any other Canadian manufacturer and distributes them through 13 factory-owned branches.

The company's parts and accessories sales continue to grow

at a fast rate with three new outlets being opened in Hamilton, Regina and Saskatoon, making a total of 14 across the country.

## MEXICO

Sales of Admiral de Mexico, which manufactures color and black and white television receivers, stereo instruments and radios, rose to a record level in 1969, although profits were slightly lower.

An 18,500 sq. ft. addition to the Mexican facility was completed in

218-5561  
Canadian Admiral Corporation, Ltd., is located in Port Credit, Ontario, suburb of Toronto.



CANADA



MEXICO



REPUBLIC OF CHINA



August, 1969, increasing the total area to 100,000 sq. ft. The plant is located on the expressway from the International Airport to downtown Mexico City.

#### **TAIWAN, REPUBLIC OF CHINA**

Admiral Overseas Corporation, the youngest subsidiary of AIE, was organized in 1967 and is authorized by the Chinese government to manufacture solely for export a broad line of electronic home entertainment products. The authorization permits AOC to import

components free of Chinese duty. It also confers certain tax advantages which are described in footnote E on page 13.

AOC produces both color and monochrome chassis and complete monochrome television sets. It is expected that the line of complete black and white sets will be expanded later in 1970 and that complete portable color sets will also be produced.

#### **INTERNATIONAL MARKETING AND LICENSING**

Sales of Admiral products and components set a new record and profits increased substantially over

1968. Shipments were made to countries in every major trading area in the free world. Products shipped included those produced in Canada and Taiwan as well as those made in the United States.

Production and sales of Admiral products by Admiral licensees also showed a healthy gain. New licenses have been granted in The Sudan, Taiwan and Hong Kong.

Admiral de Mexico, S.A. de C.V., is located on expressway between Mexico City International Airport and downtown Mexico City.



Admiral Overseas Corporation facility is located in Taipei, Taiwan.



# Special Report on Canadian Admiral Corporation, Ltd. Rapport Spécial sur Canadian Admiral Corporation, Ltd.

We present this detailed report on Canadian Admiral Corporation which is the largest subsidiary of Admiral International Enterprises Corporation. Established in October, 1946 in Toronto, Canadian Admiral has expanded into one of the largest home entertainment and appliance manufacturers in Canada.

The company has a 282,000 sq. ft. manufacturing facility and 1,400 employees. Starting with 1947 sales of under \$2,000,000 in the first full year of operation, total volume has mushroomed to over \$62,000,000.

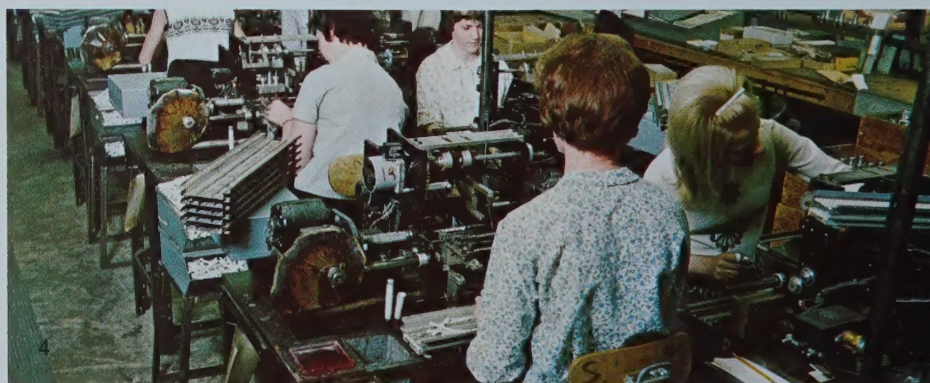
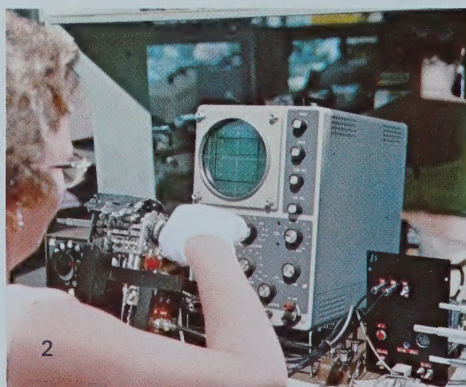
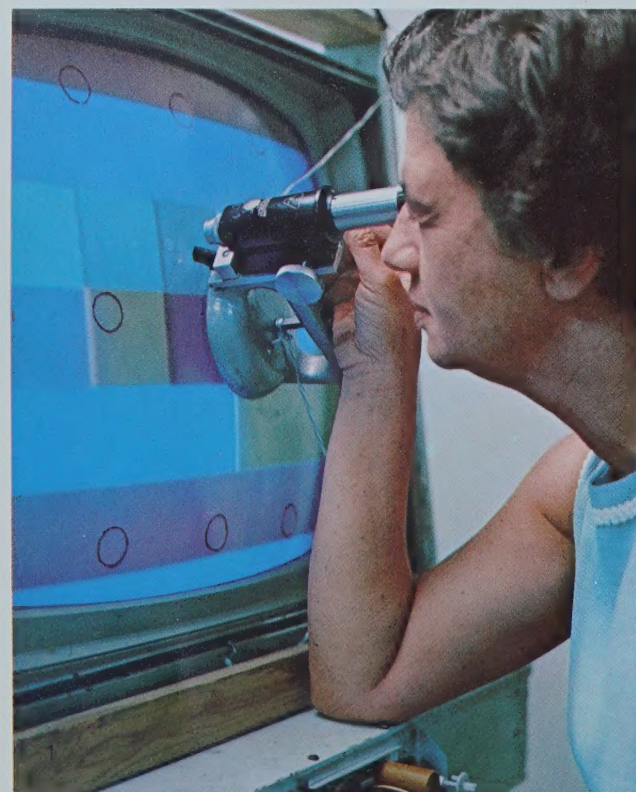
Nous présentons ce rapport détaillé sur Canadian Admiral Corporation qui est la plus importante filiale d'Admiral International Enterprises Corporation. Fondée en octobre 1946 à Toronto, Canadian Admiral est devenue l'une des plus importantes compagnies de fabrication d'appareils ménagers et d'appareils récréatifs pour la maison au Canada.

Cette compagnie a une usine de fabrication de 282,000 pi.ca. et elle emploie 1,400 personnes. En 1947, à la suite de la première année d'opération, les ventes s'établissaient à moins de \$2,000,000. Le volume total des ventes s'élève maintenant à plus de \$62,000,000.

Radios were the first product, and were soon joined by refrigerators and radio-phonographs. Television production started in 1949 and the company sold TV receivers in Canada, even though no Canadian stations were on the air. Sales were made in border communities which were able to pick up telecasts from stations in cities such as Detroit, Buffalo and Cleveland. Freezers and room air conditioners joined the product line in 1953, with electric ranges following the next year.

1. Professional engineer checks formation of electron beams in color picture tube in special field-free area of laboratory.
2. Channel strips are adjusted individually and complete tuner is checked on oscilloscope to give proper response curve.
3. View of color television assembly line.
4. Channel selector strips for VHF and UHF television tuners are wound on this machine. Canadian Admiral is the only television manufacturer in Canada producing its own tuners.

1. Un ingénieur professionnel vérifie la formation des rayons électroniques dans une lampe-écran couleur dans une partie spéciale sans champ magnétique d'un laboratoire.
2. Les bandes des canaux sont ajustées individuellement et le bloc d'accord est vérifié à l'oscilloscope.
3. Vue de la chaîne de montage des téléviseurs-couleur.
4. Des bandes de sélecteurs de postes pour blocs d'accord VHF et UHF de téléviseurs sont bobinées sur cette machine. Canadian Admiral est la seule compagnie au Canada à produire ses propres blocs d'accord.



ARGENTINA



AUSTRALIA



BRAZIL



COLOMBIA



COSTA RICA



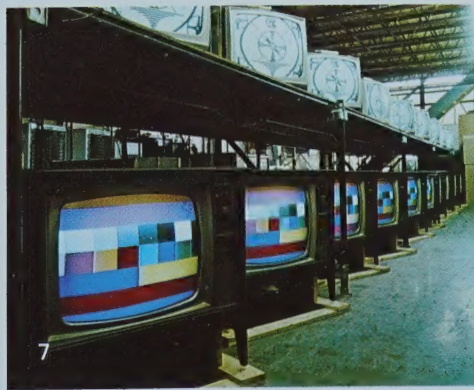
Les radios furent les premiers produits, suivis bientôt par les réfrigérateurs et les radios tourne-disques. La production des téléviseurs débuta en 1949, et la compagnie vendit des téléviseurs au Canada, avant même l'apparition des premières stations canadiennes. Ces ventes furent réalisées dans les villes situées près de la frontière d'où il était possible de capter les émissions télévisées en provenance de Détroit, Buffalo et Cleveland. Les congélateurs et les climatiseurs de pièces apparurent dans la gamme des produits en 1953, les cuisinières électriques arrivant l'année suivante.

Ensign Acceptance Corporation, Ltd. was incorporated in 1956 and assists dealers in financing their purchases of Admiral products. Canadian Admiral manufactures a complete line of consumer electronic products. They include color and black and white television receivers—both portables and consoles; FM/AM radios and radio-phonographs, and special TV models for hotel, motel and educational use. Special products are also produced for the Canadian government.

Ensign Acceptance Corporation, Ltd. fut créée en 1956 pour permettre aux dépositaires de financer plus facilement leurs achats de produits Admiral. Canadian Admiral fabrique une gamme complète de produits destinés aux consommateurs. Citons les téléviseurs en couleur et en noir et blanc, portatifs et consoles; les radios FM/AM et les radios tourne-disques, et les téléviseurs spéciaux pour hôtel et motel et pour l'éducation. Des produits spéciaux sont aussi fabriqués pour le gouvernement canadien.

5. Complete color receivers are inspected and adjusted for color purity and convergence before moving to packing line.
6. Adjusting color television chassis.
7. During life tests, color sets chosen at random are run for up to 500 hours at 130 volts, equivalent to 18 months' use in home.
8. Admiral color television is featured in suites at Hotel Chateau Champlain in Montreal.

5. Une fois terminés les téléviseurs-couleur sont inspectés et la pureté de la couleur ainsi que la convergence sont ajustées.
6. Réglage d'un châssis de téléviseur-couleur.
7. Dans le cadre des essais, des appareils en couleur, choisis au hasard, sont utilisés pendant 500 heures sur 130 volts, ce qui équivaut à 18 mois d'utilisation domestique.
8. Des téléviseurs Admiral se trouvent dans les chambres de l'hôtel Château Champlain à Montréal.



EL SALVADOR

GREECE

IRAN

ITALY

LEBANON



The Canadian Admiral appliance line includes refrigerators, freezers, electric ranges, room air conditioners and dishwashers—all of which have had excellent reception.

While Canadian Admiral is licensed to use the designs of Admiral Corporation, it maintains engineering departments which perform substantial original work in modifying Admiral's designs of both electronic and appliance products for the Canadian market.

La gamme des appareils ménagers de Canadian Admiral comprend des réfrigérateurs, des congélateurs, des cuisinières électriques, des climatiseurs d'air et des lave-vaisselles—tous ces produits ont un très grand succès.

Bien que Canadian Admiral ait une licence qui lui permette d'utiliser les modèles d'Admiral Corporation, elle possède aussi ses propres services techniques qui réalisent des transformations importantes sur les modèles Admiral, aussi bien les produits électroniques que les appareils ménagers, afin de les adapter au marché canadien.

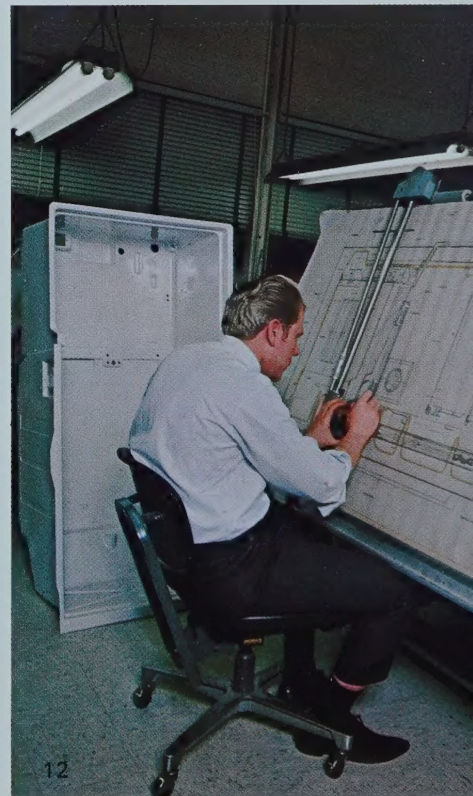
High standards of quality control are maintained to assure the output of the most dependable products and have given Canadian Admiral an enviable reputation throughout the country.

With the rapid growth of Canadian Admiral came the need for an electronic data processing center which was installed in June, 1968. It is used for inventory control, component flow, production forecasts, assembly line requirements and for accounting and financial data.

Design, engineering and production of the finest quality products are the basic needs of any industry, but one of the most

9. Produced for Canadian and other governments, this radiation detecting device is exposed to Cobalt 60 source and calibrated.
10. Speakers, amplifiers and other audio equipment are tested for distortion and frequency response.
11. Finished Admiral stereo console radio-phonographs come off production line.
12. Appliance drafting department designs food compartment liners for Dual-Temp refrigerators.

9. Ce détecteur de radiations produit pour le Canada et pour d'autres gouvernements est exposé à une source de Cobalt 60 puis étalonné.
10. Les haut-parleurs, les amplificateurs et autres équipements audio sont vérifiés en ce qui concerne la distorsion et la réponse de fréquences.
11. Les radios tourne-disques consoles stéréo Admiral sortent de la chaîne de production.
12. Le service de dessinateurs des appareils ménagers dessine les caissons pour les réfrigérateurs Dual-Temp.





Des normes élevées de contrôle de la qualité ont donné à Canadian Admiral une réputation enviable.

A la suite de la croissance rapide de Canadian Admiral il fallut organiser un centre d'informatique électronique en juin 1968. Ce centre est utilisé pour le contrôle des stocks, l'arrivée des pièces, les prévisions de production, les besoins des chaînes de montage, et les données comptables et financières.

La conception et la fabrication de produits de la meilleure qualité constituent les besoins élémentaires de

important requirements for a successful consumer-oriented business is distribution.

Canadian Admiral distributing branches are located in Vancouver, Winnipeg, Calgary, Toronto, London, Ottawa, Montreal, Quebec and Halifax. Sub-branches are in Regina, Saskatoon, Windsor and Hamilton. They have developed a loyal and growing force of more than 2,000 dealers who carry the Admiral line and have promoted it to its position of leadership in the industry.

toute industrie, mais la distribution est aussi primordiale lorsqu'il s'agit de vendre aux consommateurs.

Les succursales de distribution de Canadian Admiral sont situées à Vancouver, Winnipeg, Calgary, Toronto, London, Ottawa, Montréal, Québec et Halifax. Les sous-succursales sont à Régina, Saskatoon, Windsor et Hamilton. Ces succursales ont permis de créer une force loyale et grandissante de plus de 2,000 dépositaires qui vendent la gamme Admiral et lui ont donné une place de choix dans l'industrie.

13. Fibreglas batting is packed in refrigerator doors prior to final assembly.
14. Sealed refrigeration system is completely checked before refrigerator is placed in carton.
15. This Imperial Dual-Temp refrigerator-freezer never requires defrosting and has a total capacity of 15.5 cu. ft., including storage for 152 pounds of frozen food. It features individual temperature controls, special butter conditioner, egg shelf, porcelain vegetable-fruit crispers and meat keeper.

13. La bourre de fibre de verre est placée dans les portes des réfrigérateurs avant le montage final.
14. Le système de réfrigération scellé est entièrement vérifié avant que le réfrigérateur soit placé dans le carton.
15. Ce réfrigérateur-congélateur Imperial Dual-Temp n'a jamais besoin de dégivrage. Il a une capacité totale de 15,5 pi.cu., y compris l'espace de rangement pour 152 livres d'aliments congelés. Il est doté de commandes individuelles de température, d'un conditionneur spécial pour le beurre, d'une étagère à oeufs, de légumiers en porcelaine et d'un casier à viande.



TRINIDAD



URUGUAY



VENEZUELA



WEST GERMANY



# Consolidated balance sheet

ADMIRAL INTERNATIONAL ENTERPRISES CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES  
AS AT DECEMBER 31, 1969—1968

ASSETS	1969	1968*
<b>Current Assets:</b>		
Cash . . . . .	\$ 2,760,392	\$ 5,875,688
Notes and accounts receivable:		
Admiral Corporation (including \$4,300,000 notes) . . . . .	7,157,405	—
Other customers (less allowance for losses: 1969—\$820,513; 1968—\$835,964) . . . . .	17,030,404	13,532,209
	<u>24,187,809</u>	<u>13,532,209</u>
Inventories—Note C . . . . .	15,578,807	12,720,543
<b>Total Current Assets</b> . . . . .	<b>42,527,008</b>	<b>32,128,440</b>
<b>Other Receivables and Sundry Assets</b> . . . . .	<b>476,206</b>	<b>176,408</b>
<b>Investments in and Advances to Unconsolidated Finance Subsidiary— at underlying book equity—Note B(3)</b> . . . . .	<b>1,445,471</b>	<b>956,438</b>
<b>Property, Plant and Equipment—at Cost—Notes D and F:</b>		
Land . . . . .	472,641	441,541
Buildings and building improvements . . . . .	3,350,372	2,820,587
Machinery and equipment . . . . .	3,755,687	3,086,963
	<u>7,578,700</u>	<u>6,349,091</u>
Less: Accumulated depreciation . . . . .	2,573,120	2,247,316
	<u>5,005,580</u>	<u>4,101,775</u>
Unamortized cost of tools and dies . . . . .	175,946	187,423
Unamortized leasehold and land improvements . . . . .	123,259	108,015
Construction in progress . . . . .	192,871	174,133
	<u>5,497,656</u>	<u>4,571,346</u>
<b>Deferred Charges</b> (including deferred income taxes: 1969—\$530,593; 1968—\$358,749) . . . . .	<b>731,999</b>	<b>591,955</b>
	<u><b>\$50,678,340</b></u>	<u><b>\$38,424,587</b></u>

\*Combined balance sheet of companies acquired as set forth in Note A.  
The accompanying notes are an integral part of this statement.

## CONSOLIDATED SUMMARY OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1969

<b>Source of Funds:</b>		
From operations:		
Net income . . . . .		\$ 4,887,900
Add:		
Depreciation and amortization . . . . .		648,005
Minority stockholders' equity in net income . . . . .		62,449
		<u>5,598,354</u>
Deduct:		
Equity in earnings of unconsolidated finance subsidiary . . . . .	\$ 110,111	
Credits for deferred income taxes . . . . .	171,844	281,955
		<u>5,316,399</u>
Net proceeds from sale of Common Stock . . . . .		6,040,331
Increase in reserve for warranties and sundry deferred credits . . . . .		290,821
		<u><b>\$11,647,551</b></u>
<b>Application of Funds:</b>		
Dividends paid by a pooled company prior to acquisition by the Company (including \$73,875 to minority interests) . . . . .		\$ 2,936,158
Expenditures for property, plant and equipment, including tools and dies (net) . . . . .		1,574,315
Reduction of long-term debt . . . . .		160,000
Increase in advances to unconsolidated finance subsidiary . . . . .		378,922
Increases in other receivables and other items . . . . .		267,998
Increase in working capital . . . . .		6,330,158
		<u><b>\$11,647,551</b></u>



LIABILITIES AND STOCKHOLDERS' EQUITY	1969	1968*
<b>Current Liabilities:</b>		
Notes payable—bank—Note C . . . . .	\$ 1,475,966	\$ 53,333
Current installments of long-term debt . . . . .	160,000	160,000
Accounts payable and accrued expenses:		
Admiral Corporation . . . . .	2,569,700	1,692,929
Others . . . . .	8,057,104	6,078,873
	<u>10,626,804</u>	<u>7,771,802</u>
Federal and foreign income taxes—Note E . . . . .	1,047,693	1,256,918
<b>Total Current Liabilities</b> . . . . .	<u>13,310,463</u>	<u>9,242,053</u>
<b>Long-term Debt</b> —Note F . . . . .	<u>3,250,000</u>	<u>3,410,000</u>
<b>Reserve for Warranties and Sundry Deferred Credits:</b>		
Reserve for warranties (including deferred service income) . . . . .	962,357	676,619
Sundry deferred credits . . . . .	56,806	51,723
	<u>1,019,163</u>	<u>728,342</u>
<b>Minority Stockholders' Equity</b> . . . . .	<u>376,743</u>	<u>388,169</u>
<b>Stockholders' Equity</b> —Notes A, B, E and F:		
Common Stock—par value \$1.00 per share:		
Authorized —4,000,000 shares		
Issued and outstanding—3,210,000 shares . . . . .	3,210,000	
Capital in excess of par value . . . . .	5,670,175	
Retained Earnings . . . . .	23,841,796	
	<u>32,721,971</u>	24,656,023
<b>Contingent Liabilities and Other Comments—</b>		
Note G	<u>\$50,678,340</u>	<u>\$38,424,587</u>

\*Combined balance sheet of companies as set forth in Note A.  
The accompanying notes are an integral part of this statement.

#### CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND CAPITAL IN EXCESS OF PAR VALUE FOR THE YEAR ENDED DECEMBER 31, 1969

	Retained Earnings	Capital in Excess of Par Value
Combined balances at January 1, 1969 of companies acquired in poolings of interests . . . . .	\$22,653,233	\$ 723,762
Less:		
Cash dividend paid to Admiral Corporation by a pooled company prior to its acquisition by the Company . . . . .	(2,862,283)	—
Adjustments to give effect to poolings of interests . . . . .	(837,054)	(683,868)
	<u>18,953,896</u>	<u>39,894</u>
Add:		
Net income . . . . .	4,887,900	
Excess of net proceeds over par value of Common Stock sold . . . . .	—	5,630,281
Consolidated balances at December 31, 1969 . . . . .	<u>\$23,841,796</u>	<u>\$ 5,670,175</u>

Red figures are designated by parentheses.  
The accompanying notes are an integral part of these statements.



## CONSOLIDATED STATEMENT OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1969—1968

	1969	1968
<b>Net sales</b> (including \$20,155,251 in 1969 and \$11,166,146 in 1968 to Admiral Corporation) . . . . .	<b>\$104,355,465</b>	\$81,252,809
<b>Cost of goods sold</b> (including purchases, etc., from Admiral Corporation and its subsidiaries of \$12,375,501 in 1969 and \$11,788,188 in 1968) . . . . .	<b>86,441,956</b> <b>17,913,509</b>	67,938,676 13,314,133
<b>Selling, general and administrative expenses</b> . . . . .	<b>9,616,625</b> <b>8,296,884</b>	7,231,681 6,082,452
<b>Other income (deductions)—net:</b>		
Sundry income, less sundry deductions—Note B(3) . . . . .	<b>810,708</b>	829,607
Interest expense—Note G(4) . . . . .	<b>(509,243)</b>	(357,718)
	<b>301,465</b>	471,889
<b>Income before income taxes and minority interests</b> . . . . .	<b>8,598,349</b>	6,554,341
<b>Provision for income taxes—Note E:</b>		
Federal . . . . .	<b>247,768</b>	62,606
Foreign . . . . .	<b>3,537,798</b>	3,064,250
Deferred foreign . . . . .	<b>(137,566)</b>	(181,632)
	<b>3,648,000</b> <b>4,950,349</b>	2,945,224 3,609,117
<b>Minority stockholders' equity in net income</b> . . . . .	<b>62,449</b>	44,700
<b>Net income</b> . . . . .	<b>\$ 4,887,900</b>	\$ 3,564,417
<b>Net income per average outstanding share</b> . . . . .	<b>\$1.69</b>	\$1.27

Red figures are designated by parentheses.

The above statements of income represent consolidated results of operations for 1969 and combined results of operations for 1968 of the companies acquired as set forth in Note A.

The accompanying notes are an integral part of this statement.

## ACCOUNTANTS' REPORT

### To the Stockholders of Admiral International Enterprises Corporation

We have examined the consolidated balance sheet of Admiral International Enterprises Corporation and consolidated subsidiary companies as at December 31, 1969 and the related consolidated statements of income, retained earnings and capital in excess of par value for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to a Mexican subsidiary, the financial statements of which were not examined by us, we were furnished with a report by another accountant.

In our opinion, based upon our examination and the report of the other accountant referred to above, the accompanying consolidated balance sheet and consolidated statements of income, retained earnings and capital in excess of par value present fairly the consolidated financial position of Admiral International Enterprises Corporation and consolidated subsidiary companies at December 31, 1969, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. It is also our opinion that the accompanying consolidated summary of source and application of funds presents fairly the information shown therein.

S. D. LEIDESDORF & CO.

Chicago, Illinois  
February 20, 1970



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1969

## Note A—Incorporation and Issuances of Common Stock:

The Company was incorporated in Delaware on April 28, 1969, and 50 shares of its Common Stock were initially purchased by Admiral Corporation for \$1,000. On May 22, 1969, the Company acquired from Admiral Corporation, on a poolings of interests basis, the following subsidiary companies in exchange for 2,799,950 shares of Common Stock:

### Domestic Companies:

Admiral International Corporation  
Admiral Corporation Interamericana

### Foreign Companies:

Canadian Admiral Corporation, Ltd.,  
its consolidated subsidiary and its  
unconsolidated finance subsidiary  
Admiral de Mexico, S. A. de C. V.  
Admiral S. A. (Swiss Company)  
Admiral Overseas Corporation  
(incorporated in Republic of China, Taiwan Province)  
Admiral Trade Corporation  
(Panamanian Company)

On September 24, 1969, the Company sold, through a public offering, 410,000 shares of its Common Stock for net proceeds of \$6,039,331.

At December 31, 1969, 87.2% of the Company's Common Stock was owned by Admiral Corporation, parent company.

## Note B—Principles of Consolidation:

(1) The consolidated financial statements include the Company and all of its subsidiaries, except for an unconsolidated Canadian finance subsidiary the investment in which is carried at underlying book equity. In consolidation all significant intercompany items among the consolidated companies have been eliminated.

(2) Substantially all of the net assets included in the consolidated balance sheet are employed in foreign operations. The accounts of the foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Subject to approval and licensing requirements by certain foreign exchange control authorities and certain limitations on the repatriation of invested principal, the transfer of funds from foreign companies is not materially restricted.

Consolidated retained earnings include approximately \$500,000, which is required to be set aside by subsidiaries as statutory reserves pursuant to the laws of certain foreign countries.

(3) The underlying net assets (after eliminating advances from parent) of the unconsolidated Canadian finance subsidiary total \$1,445,471, consisting of net current assets of \$1,294,876 (primarily accounts receivable of \$5,413,500, less loans payable of \$4,196,250), plus noncurrent assets (net) in the amount of \$150,595. The net income of such company, included in "sundry income" in the accompanying consolidated statement of income, amounted to \$110,111 for 1969 and \$63,004 for 1968.

## Note C—Inventories:

Inventories are stated at the lower of cost or market and are classified as follows:

Raw materials and work in process	\$ 9,016,632
Finished goods	5,164,930
In transit	1,397,245
	<u>\$15,578,807</u>

Inventories of a foreign subsidiary in the amount of approximately \$3,800,000 are pledged as collateral for notes payable of \$1,475,966 issued in connection with a letter of credit agreement.

## Note D—Property, Plant and Equipment:

During 1969, depreciation and amortization amounted to \$648,005 (1968—\$533,043).

It is the policy to provide for depreciation of property, plant and equipment on a straight line basis, except that Canadian companies use a diminishing balance method. The annual rates used are as follows:

	Rates	
	Straight Line Method	Diminishing Balance Method
Buildings and building improvements	2% to 13%	4% to 10%
Machinery and equipment	10% to 25%	20% to 30%

Leasehold improvements are amortized generally over the terms of the related leases, and land improvements over five years. Except for small tools, which are charged to operations when purchased, tools and dies are being amortized over 12 to 24 month periods.

## Note E—Taxes:

In accordance with the policy of Admiral Corporation, holder of majority interest in the Company, the provision for Federal income taxes shown in the accompanying consolidated statement of income has been computed as if the domestic companies filed their own Federal income tax return, although it is the intention of Admiral Corporation and its domestic subsidiaries to file a consolidated return, as to which all participants are subject to the rules and regulations of the Internal Revenue Code.

A foreign subsidiary has received exemption from income tax for a period of five years from September 1967, on certain operations, and has pending an application for a similar exemption on its other operations. It is the opinion of legal counsel that the pending application will be approved. Had these exemptions not been available, the provision for foreign income taxes in the accompanying consolidated statement of income would have been approximately \$200,000 (\$.07 per share) higher in 1969.

If and when transferred to their parent companies in the form of dividends, undistributed earnings of subsidiaries may be subject to income taxes in addition to those provided for in the accompanying consolidated financial statements.

## Note F—Long-term Debt:

Long-term debt, exclusive of amounts due within one year, consists of the following:

Admiral de Mexico, S. A. de C. V.:

Financiera Banamex, S. A.—payable in quarterly installments of \$40,000, final payment due October 6, 1972, 12% interest rate (collateralized by certain property, plant and equipment)	<u>\$ 320,000</u>
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Admiral Overseas Corporation:

Admiral Corporation, 4% interest rate:

Issue Date	Due Date	
1967	1975	1,040,000
1968	1976	1,415,300
1968	1980	474,700
		<u>2,930,000(a)</u>
		<u>\$3,250,000</u>

(a) Subject, in whole or in part, to prepayment by the Company or demand by the lender after three years from date of issuance.

Admiral Corporation, parent company, has various agreements relating to its long-term indebtedness under which the Company and all of its subsidiaries, except for the unconsolidated finance subsidiary, are included as consolidated and restricted subsidiaries. Such agreements prohibit Admiral Corporation from reducing its ownership of the Company below 67%. Among other matters, such agreements also provide for the maintenance by Admiral Corporation of consolidated working capital and stated ratios, and include limitations on Admiral Corporation and restricted subsidiaries relating to creation of funded debt, making certain investments and loans, cash dividends, stock redemptions, certain real estate transactions and the merger or consolidation of any restricted subsidiary except into Admiral Corporation or a restricted subsidiary. Although the agreements provide no direct restrictions on the payment of dividends by the Company or any of its subsidiaries, the amount payable could be limited by the effect that the portion payable to stockholders other than Admiral Corporation would have on the consolidated working capital and ratios required under the aforementioned agreements.

## Note G—Contingent Liabilities and Other Comments:

(1) The companies are contingently liable with respect to certain notes receivable discounted, pending patent infringement and other lawsuits and proceedings, repurchase agreements and guarantees (including repurchase of certain receivables of the unconsolidated Canadian finance subsidiary), none of which, in the opinion of management, will have any material effect upon the consolidated financial statements.

(2) The aggregate annual minimum amount of rentals (exclusive of real estate taxes, etc.) upon real property leased to the Company and its consolidated subsidiaries for terms expiring after December 31, 1969 is approximately \$260,000, of which \$153,000 expires prior to December 31, 1979 and \$107,000 thereafter to 1989.

(3) As at December 31, 1969, a foreign subsidiary was contingently liable for import duties and related levies of approximately \$840,000 applicable to imported raw materials. These duties and levies would become due and payable if the related finished products are not exported within two years from the date of import of the raw materials.

As at December 31, 1969, unused letters of credit of subsidiaries amounted to approximately \$650,000.

(4) Interest expense includes \$117,200 for 1969 and \$55,734 for 1968 on long-term indebtedness to Admiral Corporation.



# Admiral International Enterprises Corporation

## Directors and Officers

### BOARD OF DIRECTORS

Vincent Barreca, *Chairman*

Mark H. Berens

Stuart D. Brownlee

George E. Driscoll

Anthony S. Farina

Alfred F. Miossi

Ross D. Siragusa, Jr.

### OFFICERS

Vincent Barreca

*Chairman of the Board and President*

George E. Driscoll

*Vice President and Treasurer*

Norman E. Johnson

*Vice President and Secretary*

## Operating companies

Admiral Corporation Interamericana

Admiral International Corporation

Norman E. Johnson, *President*

Canadian Admiral Corporation, Ltd.

Port Credit, Ontario, Canada

Stuart D. Brownlee, *President*

Edwin Whittaker, *Executive Vice President-Marketing*

G. L. Irvine, *Vice President*

J. A. Reed, *Vice President*

John Stubbs, *Vice President*

Walter A. Turner, *Vice President*

Admiral de Mexico, S.A. de C.V.

Mexico D.F., Mexico

Anthony S. Farina, *President*

Rene Daumas, *Vice President*

Robert J. Signoret, *Vice President*

Admiral Overseas Corporation

Taipei, Taiwan, Republic of China

Russell P. Smith, *President*

James F. Singelman, *Director of Finance*

Stock Traded On:

American Stock Exchange

Registrars

Continental Illinois National Bank

and Trust Company of Chicago

The Chase Manhattan Bank, New York

Transfer Agents

First National City Bank, New York

Harris Trust & Savings Bank, Chicago

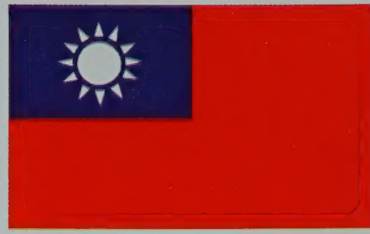


### **notice of annual meeting**

All shareowners are cordially invited to attend the Annual Meeting of Admiral International Enterprises Corporation which will be held at 2 P.M., Thursday, May 14, 1970, at the company's general headquarters at 9575 Higgins Road, Rosemont, Illinois.







# ***Admiral international enterprises***

CORPORATION

